

February 8, 2007

FOR PRIVATE CIRCULATION
Equity

	7 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	14,643	1.1	7.3	12.0
Nifty	4,224	0.7	7.4	11.8
Banking	7,527	1.4	6.3	16.0
IT	3,949	1.4	10.0	20.2
Healthcare	3,908	0.7	2.1	5.4
FMCG	1,914	(0.2)	3.5	(6.7)
PSU	6,336	0.0	3.4	5.9
CNX Midcap	5,409	0.3	4.9	10.4
World indices				
Nasdaq	2,490.5	0.8	2.1	4.4
Nikkei	17,292	(0.7)	1.4	6.9
Hangseng	20,680	0.1	1.8	8.4

Value traded (Rs cr)

	7 Feb 07	% Chg - 1 Day
Cash BSE	4,876	(14.5)
Cash NSE	10,334	5.0
Derivatives	27,832	(7.1)

Net inflows (Rs cr)

	6 Feb 07	% Chg	MTD	YTD
FII	656.0	90.1	(599.2)	(599.2)
Mutual Fund	(28.3)	79.1	(70.2)	194.7

FII open interest (Rs cr)

	6 Feb 07	% chg
FII Index Futures	13,050.9	6.3
FII Index Options	6,736.1	3.1
FII Stock Futures	18,447.8	3.6
FII Stock Options	26.2	39.7

Advances/Declines (BSE)

7 Feb 07	A	B1	B2	Total	% Total
Advances	108	284	341	733	46
Declines	100	347	385	832	52
Unchanged	2	6	14	22	1

Commodity

	7 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	57.9	0.3	3.2	(3.3)
Gold (US\$/OZ)	651.4	(0.3)	7.0	6.0
Silver (US\$/OZ)	13.6	(0.0)	10.9	9.7

Debt/forex market

	7 Feb 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.74	7.74	7.50	7.60
Re/US\$	44.12	44.06	44.50	44.73

Sensex


Source: Bloomberg

ECONOMY NEWS

- The economy will register a growth rate of 9.2% in the current year, and the rise in prices will be limited to 5.2%. These are the advance estimates for 2006-07 released by the Central Statistical Organisation. (ET)
- Budget 2007 may bring happy tidings for the leather, footwear, textiles and clothing and sports goods sector. The Government may cut customs duty on machinery imports for the sectors. The Finance Ministry is also considering giving tax breaks on reinvested profits. (ET)
- Assocham has called for a mergers and acquisitions policy to support domestic companies. The industry body feels such a taxation framework would assist the corporates in acquiring companies overseas. (ET)
- The Government is planning to raise resources through disinvestment of 5-10% Government stake in three power utilities as well as raise their equity base by issuing fresh shares. (BL)
- The Government has agreed to set up an expert committee to look into the impact of FDI in certain sectors of the rural economy. This was decided at a meeting of the Parliamentary Consultative Committee headed by Commerce Minister Kamal Nath. (BS)

CORPORATE NEWS

- The domestic IT outsourcing agreement between **Bharti Airtel** and IBM India signed in 2004, is seen to have touched a value of \$1.6 bn, shooting way past its original estimates of \$750 mn. (ET)
- Transport Corporation of India, the largest road network operator, has signed an MoU with **Concor** aimed at providing door-to-door logistics solutions. (ET)
- The **Videocon Industries**-led consortium has submitted a revised bid to the creditors of Daewoo Electronics for buying their stake in the South Korean electronics major. Sources in Videocon said they were confident of picking up a 97.5% stake in Daewoo Electronics. (BS)
- **Tata Motors** plans to launch the passenger-carrier variant of its mini truck Ace within the next couple of months. Also the company is all set to form a joint venture with Brazilian major Marco Polo for bus and coach body making. (ET)
- In a relief to **Zee Telefilms**, the Delhi High Court has restrained the Registrar of Trademarks from processing pending applications of a Kolhapur-based local pan masala manufacturer seeking registration of the trademark Zee in its favor. (ET)
- The Hyderabad-based **Lanco group** is pulling out of the race for the Indonesian coalmine company Bumi Resources. Bumi, Indonesia's biggest coalmine operator has put up 30% in the company for sale with a reserve price of \$1 bn. (BS)
- US-based pharma company Hospira may have to bid adieu to its Indian partner, **Dabur Pharma**, now that the former has completed formalities to acquire the Australian Mayne Pharma, to claim world leadership in the specialty generic injectable pharmaceuticals business. (BL)
- **Zenotech Labs**, a biotech-based specialty injectables company, and pharma major **Ranbaxy Labs** have entered into a global development and marketing agreement for launching a bio-similar product, G-CSF (filgrastim). (ET)
- **Reliance Life Sciences** is investing Rs.2.78 bn (£32.1 mn) in GeneMedix over five years to conduct clinical trials and launch two products under development. Reliance Life had acquired the UK-based biotechnology company recently. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

RESULT UPDATE

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MATHER AND PLATT PUMPS LTD (Rs.201, CY07 P/E: 11.0x, BUY)

Mather and Platt's fourth quarter results were excellent and well ahead of our expectations. Operating margins have bounced back on a sequential basis. Despite making some write-offs, the company has reported a strong jump in net profits. Valuations remain attractive at 11x CY07 earnings. We are maintaining our BUY recommendation on the company with a revised target price of Rs.260.

Summary table

(Rs mn)	CY05	CY06	CY07E
Sales	618	1,314	1,780
Growth (%)	(31)	113	36
EBITDA	70	203	279
EBITDA margin (%)	11.3	15.5	15.7
Net profit adj	-76.9	122.5	176.0
Net cash (debt)	-173.2	-130.1	-24.8
EPS Adj (Rs)	-8.3	13.3	19.1
Growth (%)	-160.8	-259.2	43.7
CEPS	-7.3	14.6	20.6
DPS (Rs)	0	0	0
ROE (%)	-119	94.6	71.2
ROCE (%)	27.6	82	73.2
EV/Sales (x)	3.3	1.5	1.1
EV/EBITDA (x)	29.1	9.8	6.7
P/E (x)	-24.1	15.1	10.5
P/Cash Earnings	-27.6	13.8	9.8
P/BV (x)	50.6	11.7	5.5

Source: Company & Kotak Securities - Private Client Research

Quarterly Results

(Rs mn)	Q4CY06	Q4CY05	% Chg	Q3CY06	% Chg
Net Sales	419.9	236.4	77.6	343.2	22.3
Other Income	4.6	1.6	187.5	1.2	283.3
Total Income	424.5	238.0	78.4	344.4	23.3
RM costs	218.2	132.9	64.2	215.5	1.3
Staff costs	60.8	43.8	38.8	46.5	30.8
Other costs	75.5	40.5	86.4	43.1	75.2
Expenditure	354.5	217.2	63.2	305.1	16.2
Operating Profit	65.4	19.2	240.6	38.1	71.7
Interest	6.2	6.6	-6.1	6.5	-4.6
Gross Profit	63.8	14.2	349.3	32.8	94.5
Depreciation	3.2	3.4	-5.9	3.3	-3.0
Profit before Tax	60.6	10.8	461.1	29.5	105.4
Tax	17.5	0.3	5733.3	8.0	118.8
Provisions and Contingencies	16.3	-6.9	-336.2	8.1	101.2
Adjusted PAT	43.1	10.5	310.5	21.5	100.5
Reported PAT	26.8	3.6	644.4	13.4	100.0
OPM (%)	15.6	8.1		11.1	
Tax rate (%)	29	3		27	

Source: Company

Key Highlights

- **Revenues for the quarter rose 78% YoY to Rs.420 mn.** For the year, revenue growth has been ahead of the company's target of Rs.1.2 bn in CY06. The company's main client segments are municipal corporations, irrigation departments and process industries. Demand for Mather and Platt's products is buoyant in view of the revival in capex and greater thrust by state governments on developing irrigation facilities for rural and urban households.
- **Operating margins expanded 750 bps to 15.6%** possibly due to a better product mix and employee productivity. Margins for the year have been maintained at a healthy level at 15.5%.
- **Jump in net profits despite extraordinary provisions.** Mather and Platt Pumps has made a provision of Rs.16.3 mn in the quarter. This provision has been primarily made with a view to align M&P's accounting practices with that of Wilo AG.
- The company has begun construction on the Kolhapur facility, which would be used as an assembly unit for Wilo's range of pumps. Mather and Platt has already imported the requisite plant and machinery and the plant should be operational in the current quarter.
- **Recommendation.** The stock is trading at 11x CY07 forecast earnings. Our outlook for the company remains positive in view of the strong investment momentum in the industrial sector. M&P is now a subsidiary of Wilo, which is one of the top ten pump makers in the world. Hence, the scope for exploiting synergies in terms of outsourcing from India is very strong in the company. We maintain a **BUY** recommendation on the stock with a revised price target of Rs.260.

We recommend a BUY on the stock with a revised price target of Rs.260

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
7-Feb	Accent Tech	Winro Commercial India Ltd	B	43,118	55.97
7-Feb	Ador Multipr	J B Advani and Co P Ltd	B	13,362	17.00
7-Feb	Allianz Secu	Krishnakumar Badridas Tao	B	220,000	48.00
7-Feb	Allianz Secu	Accord Capital Markets Ltd	S	66,324	48.01
7-Feb	Ashco Ind	Shailesh Ved	B	72,119	73.95
7-Feb	Ashco Ind	Ayodhyapati Investment Pvt	B	47,398	73.68
7-Feb	Bombay Paint	Baldev Raj Bhatia	S	9,169	41.71
7-Feb	Brakes Auto	Highlight Leafin Pvt Ltd	B	22,500	28.40
7-Feb	Cen Pro Rail	BCB Finance P Ltd	S	8,574	83.17
7-Feb	Country Club	Vitruvius Emerging Market	B	52,060	360.75
7-Feb	Country Club	BSMA Limited	S	52,060	360.75
7-Feb	Crew Bos	Macquarie Bank Ltd.	S	120,000	258.30
7-Feb	Federal Bank	Templeton Mutual Fund Ac	B	1,500,000	258.00
7-Feb	Federal Bank	Vontobel Asset Management	S	1,500,000	258.00
7-Feb	Galaxy Entet	Merlin Resources Pvt Limi	S	75,000	179.25
7-Feb	Gangotri I&S	Chidanand Investment Pvt.	B	25,000	28.61
7-Feb	Garwa Mari	ICDS Limited	S	34,250	33.02
7-Feb	Goldstn Tele	Jmp Securities Pvt. Ltd.	B	104,055	28.15
7-Feb	Intellvis So	Jaya Vrajesh Shah	S	30,000	231.52
7-Feb	Jupiter Bios	Shri Rangji Investments	B	50,000	186.96
7-Feb	Jupiter Bios	D K Jain	B	150,000	190.88
7-Feb	Jupiter Bios	Harsiddh Online	S	63,240	187.86
7-Feb	Jupiter Bios	Swati A Shah	S	100,000	186.54
7-Feb	Lafan Petroc	Hitesh Jhaveri	S	60,136	33.49
7-Feb	Lafan Petroc	JMP Securities Pvt. Ltd.	S	52,000	33.55
7-Feb	Lloyd Ele En	Morgan Stanley Dean Witte	B	1,000,000	172.80
7-Feb	Maharastra	Mukesh Kumar	B	65,000	116.20
7-Feb	Maharastra	Daksh Professional Con	S	65,000	116.26
7-Feb	Malu Paper	Diamant Investment and Fin	B	89,502	35.85
7-Feb	Mazda Ltd	Ketan Chalishazar	S	42,010	208.97
7-Feb	Mazda Ltd	Harishbhai Keshavlal Pate	S	39,755	221.27
7-Feb	Minax Textil	Span Trading Investment	B	25,791	30.00
7-Feb	Muller & Phi	H. H. Javeri	S	7,000	181.90
7-Feb	Patel Airtem	Rasikbhai Patel	B	32,500	54.99
7-Feb	Patel Airtem	Ruby Ladha	S	43,809	55.94
7-Feb	Patel Airtem	Amrut Bhagwandas Patel	S	26,625	55.00
7-Feb	Radha Madhav	Vishal Minda	S	100,000	76.23
7-Feb	RPG Transm	Top City Mercantile Co Pvt	B	68,000	220.95
7-Feb	RPG Transm	Goldman Sachs Investments	S	126,381	222.07
7-Feb	Ruchi Soya	Industrial Investment Tru	S	248,769	373.02
7-Feb	Sai Ser Stat	UBS Securities Asia Ltd.	B	115,048	242.00
7-Feb	Sai Ser Stat	Hilton Sales Private Limi	S	103,159	242.00
7-Feb	SQL Star Int	Industrial Investment Tru	B	112,000	45.49
7-Feb	Sujana Metal	Deutsche International	B	203,000	108.05
7-Feb	Sujana Metal	Goldman Sachs and Company	B	350,000	108.41
7-Feb	Sujana Metal	Winstar India Investment	S	316,649	108.63
7-Feb	Sumeet Indus	Avisha Credit Capital Lim	S	226,500	23.80
7-Feb	Tricom India	Surendra Agarwal	B	100,000	135.27
7-Feb	Triven Glass	Chamatkar Net Limited	B	100,000	61.00
7-Feb	Tyche Periph	Madhav Fab Trade Pvt Ltd	B	47,418	48.48
7-Feb	Uniflex Cable	Arena Textiles and Ind.Lt	B	100,000	44.52
7-Feb	Vimal Oil Fo	Shree Dhoot Tdg and Agenc	B	39,852	40.65

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Infosys Tech	2,357	3.7	9.4	1.8
Bajaj Auto	3,078	9.0	5.2	1.2
ICICI Bank	983	2.6	4.5	1.9
Losers				
ONGC	892	(1.8)	(7.0)	1.3
Reliance Com	486	(0.8)	(1.5)	4.6
Tata Motors	902	(1.9)	(1.4)	0.9

Source: Bloomberg

Forthcoming events

COMPANY/MARKET

Date	Event
8-Feb	Global Broadcast News hosts listing ceremony at BSE
8-13 Feb	Initial Public Offer of Vijayeswari Textiles opens
8-14 Feb	Initial Public Offer of Oriental Trimex opens
8-Feb	Abott India to announce earnings and dividend
12-15 Feb	Initial Public Offer of Idea Cellular Opens
15-23 Feb	Initial Public Offer of Jagjanani Textiles opens
15-Feb	Hexaware Tech to announce earnings and dividend
16-Feb	ABB to announce earnings and dividend
20-Feb	HLL to announce earnings and dividend
22-Feb	Wockhardt to announce 4th quarter earnings and dividend

Source: Bloomberg

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